WINOX HOLDINGS LIMITED
盈 利 時 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6838)

2020 INTERIM RESULTS

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to HK$521,995,000, representing a corresponding increase of 9.1%.
- The Group's gross profit amounted to HK$95,634,000, representing a corresponding decrease of 24.4%.
- The Group's profit for the period amounted to HK$35,231,000, representing a corresponding decrease of 33.9%.
- Basic earnings per share amounted to HK7.0 cents, representing a corresponding decrease of 34.6%.
- Considering the economic uncertainties and continuing challenges due to the COVID-19 pandemic facing by the Group in the second half of 2020, the Board decided not to declare an interim dividend for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal focus of Winox Holdings Limited ("**Company**", together with its subsidiaries "**Group**") remains on the development and manufacture of premium stainless steel products, and our major business segments are, namely, watch bracelets, mobile phone cases and parts, fashion accessories, and smart wearable cases and parts.

During the first half of 2020, the world's economy was hard hit by the pandemic of the novel coronavirus disease 2019 ("COVID-19"). The resumption of our manufacturing facilities in the PRC was delayed after the Chinese New Year and thanks to the timely and effective quarantine measures of the Chinese Government, our manufacturing facilities were quickly recovered to normal operating capacity by the end of March 2020.

Amidst the many challenges in the first six month of 2020, we are pleased that the Group's revenue increased by 9.1% to HK$521,995,000 as compared to the same period of last year.

The effects of the COVID-19 pandemic to our four major business segments were mixed. The revenue of our watch bracelets and fashion accessories were down by 41.7% and 41.9% respectively when compared to last year same period as the sales of luxury goods were adversely affected by the lock-down of the world's major cities and the travelling of the world's tourists was nearly come to a halt. On the other hand, our world leading clients kept demanding our mobile phone cases and parts in which the revenue of this segment was increased by 10.2% as compared to last year same period. Following the good start of mass production of our smart wearables cases and parts segment in the second half of 2019, the momentum come down a bit in the first six month of 2020 in which the revenue was decreased by 10.2% as compared to the second half of 2019. Having said that we saw the revenue of this segment is picking up since June 2020.

The gross profit margin was decreased by 8.1 percentage point to 18.3% as compared to the same period of last year which is mainly attributable to (1) the change in sales mix as explained above; and (2) the decrease in sales price of our certain products due to the intensified market competition caused by the pandemic.

On 21 May 2020, Winox Watch Manufactory (Dongguan) Limited ("**Winox Dongguan**"), a wholly-owned subsidiary of the Company, successfully won the bidding for the land use right of a parcel of land (the "**Land**") for a consideration of RMB26,240,000 (equivalent to approximately HK$28,600,000) with a total site area of approximately 24,988 square meters (or 37.5 mu), which is adjacent to one of the existing production plants of the Group. This piece of land is planned to develop into a new production plant in medium term. Please refer to the announcements of the Company dated 21 September 2018 and 21 May 2020 for details.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group's revenue increased by 9.1% to HK$521,995,000 (2019: HK$478,511,000) as compared to the same period of last year. Revenue attributable to watch bracelets, mobile phone cases and parts, fashion accessories, and smart wearable cases and parts were 19.8%, 50.3%, 5.4% and 24.5% respectively (2019: 37.0%, 49.8%, 10.2% and 3.0%).

In the first six months of 2020, the Group's revenue of watch bracelets reported a decrease of 41.7% to HK$103,293,000 (2019: HK$177,209,000).

During the period under review, revenue of mobile phone cases and parts was HK$262,373,000 (2019: HK$238,093,000), representing a satisfactory increase of 10.2%.

During the period under review, revenue of fashion accessories recorded a decrease of 41.9% to HK$28,428,000 (2019: HK$48,929,000) as compared to the same period of last year.

During the period under review, revenue of smart wearable cases and parts amounted to HK$127,901,000 (2019: HK$14,280,000), representing an increase of 795.7%.

Profit for the Period

Gross profit decreased by 24.4% to HK$95,634,000 (2019: HK$126,462,000) as compared to the same period of last year. Gross profit margin for the period under review was 18.3% (2019: 26.4%). Profit for the period decreased by 33.9% to HK$35,231,000 (2019: HK$53,334,000) and basic earnings per share for the period under review decreased by 34.6% to HK7.0 cents (2019: HK10.7 cents).

Cost of Sales

Cost of sales included costs of production materials, labour costs, and manufacturing overhead and other costs. The following table sets forth the breakdown of our cost of sales for the six months ended 30 June 2020:

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Direct materials costs	**225,407**	179,453
Direct labour costs	**150,168**	124,570
Manufacturing overhead and other costs	**50,786**	48,026
	426,361	352,049

During the six months ended 30 June 2020, direct materials costs accounted for about 52.9% (2019: 51.0%) of the total cost of sales, the increase was mainly due to the increase in sales of mobile phone cases and parts, the manufacture of which requires higher proportion of materials costs.

Direct labour costs, and manufacturing overhead and other costs accounted for about 35.2% and 11.9% (2019: 35.4% and 13.6%) of the total cost of sales respectively.

Other Income

Other income increased by 268.9% to HK$12,388,000 for the six months ended 30 June 2020 as compared to HK$3,358,000 for the same period of last year mainly due to the increase in government grants.

Other Expenses

Selling and distribution costs decreased by 36.1% to HK$6,672,000 for the first six months of 2020 as compared to HK$10,444,000 for the same period of last year mainly due to the decrease in sales of watch bracelets.

Administrative expenses decreased by 2.6% to HK$54,067,000 (2019: HK$55,522,000) during the period under review mainly due to the decrease in staff costs.

Finance costs for the six months ended 30 June 2020 amounted to HK$2,448,000 (2019: HK$1,288,000), representing an increase of 90.1% mainly due to the increase in bank borrowings.

Taxation

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on EIT ("**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of group entities in the PRC is 25%. During the six months ended 30 June 2019, certain PRC subsidiaries of the Group were awarded the High and New Technology Enterprise ("**HNTE**") certificate and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017. The recognition as a HNTE is subject to review on every three years by the relevant government bodies. In 2020, these certain PRC subsidiaries of the Group submitted applications to the related PRC Government authorities for the assessments and renewal approvals of their HNTE qualifications, but the applications have not been approved yet, they were therefore subject to 25% for the six months ended 30 June 2020.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year. The deduction of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual EIT filing. Accordingly, an overprovision for the PRC EIT in prior years amounting to HK$2,989,000 was recognised during the six months ended 30 Jun 2020 (six months ended 30 June 2019: HK$2,802,000).

Inventories

	At 30 June 2020 HK$'000 (unaudited)	At 31 December 2019 HK$'000 (audited)
Raw materials	**18,980**	14,131
Work in progress	**66,163**	89,636
Finished goods	**26,776**	29,578
	111,919	133,345

As at 30 June 2020, the Group recorded an inventory balance of HK$111,919,000 (31 December 2019: HK$133,345,000), representing a decrease of 16.1% which was mainly due to the decrease in work in progress and finished goods. The inventory turnover of the Group for the first half of 2020 was 52.3 days as compared to 41.8 days for the same period of 2019.

Trade Receivables

As at 30 June 2020, the Group's trade receivables amounted to HK$181,237,000 (31 December 2019: HK$264,090,000). The credit periods granted to our customers were considered on individual basis ranging from 30 days to 90 days. Generally, no credit would be granted to customers which are new, short-term and placing orders in immaterial scale. As most of our customers are internationally renowned brand owners, we considered we were exposed to relatively low default risk. Up to 31July 2020, approximately 63.1% of the trade receivables balances as at 30 June 2020 has been received. The trade receivables turnover of the Group for the period under review was 77.6 days (for the year ended 31 December 2019: 62.9 days) and the increase in number of days was mainly due to the increase in sales of mobile phone cases and parts, and smart wearable cases and parts, which have relatively longer credit period.

Trade Payables

As at 30 June 2020, the Group's trade payables amounted to HK$103,845,000 (31 December 2019: HK$173,141,000). The trade payables was primarily related to the purchase of raw materials from suppliers with credit periods ranging from 30 days to 90 days. The trade payables turnover of the Group for the six months ended 30 June 2020 was 59.1 days (for the year ended 31 December 2019: 55.6 days).

Liquidity, Indebtedness and Charges on Assets

During the period under review, the Group maintained a satisfactory liquidity level. As at 30 June 2020, net current assets of the Group was HK$195,838,000 (31 December 2019: HK$235,477,000). Besides, the Group maintained cash and bank balances of HK$167,903,000 as at 30 June 2020 (31 December 2019: HK$137,292,000), of which 45.5% was in Renminbi, 32.8% was in Hong Kong dollars, 21.2% was in United State dollars, and 0.5% was in Euro and other currencies.

The Group's outstanding bank borrowings as at 30 June 2020 was HK$120,284,000 (31 December 2019: HK$70,494,000), of which 53.3% was in Hong Kong dollars and 46.7% was in Renminbi. All of the Group's bank borrowings were arranged on floating rate basis and contained repayment on demand clause at any time at the discretion of the bank. Under the Hong Kong Accounting Standards, the Group had classified all the bank borrowings as current liabilities in the condensed consolidated statement of financial position as at 30 June 2020. Despite that, amongst these bank borrowings, according to the repayment schedule, HK$82,929,000 was repayable within one year and the balance of HK$37,355,000 was repayable after one year.

Part of the bank borrowings was secured by certain of the Group's assets with an aggregate carrying value of HK$41,504,000 as at 30 June 2020. The charged assets included a piece of land in Dongguan where our factory was situated and certain properties constructed thereon, and the deposits for two keyman life insurance policies. The banking facilities to the Company's wholly-owned subsidiaries were also secured by corporate guarantees in favour of the bank from the Company.

As at 30 June 2020, the Group's gearing ratio was 0.11 (31 December 2019: 0.06), which was calculated on the basis of outstanding borrowings over total assets of the Group.

Treasury

The Group adopted conservative treasury policies in cash and financial management. Cash was generally placed in short-term deposits. The Group's liquidity and financing requirements were reviewed regularly.

For the six months ended 30 June 2020, a considerable amount of the Group's sales was denominated in United States dollars, Hong Kong dollars and Reminbi contributing to 53.8%, 24.4% and 21.8% of the total revenue respectively (for the six months ended 30 June 2019: 53.6%, 45.6% and 0.8% respectively). As Hong Kong dollars was pegged with United States dollars, the directors of the Company ("**Directors**") considered the Group was exposed to limited risk in this aspect. Despite that, the Group's production plants were located in Mainland China and the labour costs and manufacturing overhead were mainly denominated in Renminbi. The appreciation and depreciation of Renminbi might affect the overall production costs of the Group.

During the period under review, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2020. We would continue to monitor closely the exchange rate risk arising from the Group's existing operations and new investments in future. We would implement the necessary hedging arrangement to mitigate any significant foreign exchange risk when and if appropriate.

Capital Commitments

Capital expenditure contracted for by the Group but not yet provided in the condensed consolidated financial statements as at 30 June 2020 was HK$22,724,000 (31 December 2019: HK$29,936,000), which was mainly related to the acquisition of property, plant and equipment and land use right.

Contingent Liabilities

As at 30 June 2020, save for the granting of corporate guarantees by the Company to its wholly-owned subsidiaries as described above, the Group did not have any other significant contingent liabilities.

Employment and Remuneration Policy

As at 30 June 2020, the total number of employees of the Group was approximately 4,462 (2019: 3,871). During the period under review, staff costs (including Directors' emoluments) amounted to approximately HK$182,442,000 (2019: HK$159,890,000). Remuneration of the employees which included salary and discretionary bonus was based on the Group's results and individual performance. Medical and retirement benefits schemes were made available to all levels of personnel.

The Company has adopted a share option scheme to incentivise its senior management and employees. As at 30 June 2020, no options had been granted by the Company pursuant to the share option scheme.

OUTLOOK

Entering the second half of 2020, the world's economy is still hindered by the COVID-19 pandemic and the escalating tension between the USA and China has added further uncertainties to it. Although the governments and central banks of major countries are continuously to rollout unprecedented huge amount of economic stimulus and liquidity plans in order to boost the real economy, the outcome is yet to be observed. However, this is the Group's strategy to remain focused on the business segments that we have strengths and expertise. With the extensive experience of our core team and our advanced technology in handling precision stainless steel materials and product design, and our sound financial positions, we are very optimistic on the development of stainless steel product business ahead. We are committed to improving our operation efficiency and will make the best use of our resources to enhance our profitability for the purpose of achieving the sustainable growth of the Group.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30.6.2020 HK$'000 (unaudited)	Six months ended 30.6.2019 HK$'000 (unaudited)
Revenue	3	**521,995**	478,511
Cost of sales		**(426,361)**	(352,049)
Gross profit		**95,634**	126,462
Other income		**12,388**	3,358
Other gains and losses		**(42)**	(1,874)
Selling and distribution costs		**(6,672)**	(10,444)
Administrative expenses		**(54,067)**	(55,522)
Finance costs		**(2,448)**	(1,288)
Profit before taxation	4	**44,793**	60,692
Taxation	5	**(9,562)**	(7,358)
Profit for the period		**35,231**	53,334
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss			
- Exchange differences arising on translation of financial statements of foreign operations		**(13,862)**	(1,190)
Total comprehensive income for the period		**21,369**	52,144
Earnings per share – Basic	7	**HK7.0 cents**	HK10.7 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	**30.6.2020** **HK$'000** **(unaudited)**	31.12.2019 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**470,725**	447,363
Right-of-use assets		**64,695**	36,742
Deposit for land use right		**19,892**	20,254
Deposits paid for acquisition of property, plant and equipment		**14,346**	19,796
Deposit and prepayment for a life insurance policy		**4,001**	4,081
		573,659	528,236
Current assets			
Inventories		**111,919**	133,345
Trade and other receivables	8	**217,024**	309,907
Taxation recoverable		**243**	1,994
Bank balances and cash		**167,903**	137,292
		497,089	582,538
Current liabilities			
Trade and other payables	9	**152,523**	241,594
Dividend payable		**15,000**	-
Taxation payable		**12,273**	33,537
Bank borrowings		**120,284**	70,494
Lease liabilities		**1,171**	1,436
		301,251	347,061
Net current assets		**195,838**	235,477
Total assets less current liabilities		**769,497**	763,713
Non-current liability			
Lease liabilities		**2,694**	3,279
Net assets		**766,803**	760,434
Capital and reserves			
Share capital		**50,000**	50,000
Reserves		**716,803**	710,434
Total equity		**766,803**	760,434

NOTES

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

1A. Significant Events in the Current Interim Period

The outbreak of coronavirus disease ("COVID-19") and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment, and directly and indirectly affect the operation of the Group. The Group has had to delay its manufacturing activities due to the mandatory government quarantine measures in an effort to contain the spread of the epidemic. After the implementation of the various prevention and control measures, the Group's manufacturing facilities resumed operation on 10 February 2020 and gradually recovered to the normal operating capacity afterward. The Group also dealt with payment deferrals from certain customers with flexibility during the period. On the other hand, the People's Republic of China ("**PRC**") Government and Hong Kong Special Administrative Region Government ("**Hong Kong Government**") have announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. These all had certain impact on the Group's business including government grants in respect of COVID-19-related subsidy and the increase in estimated expected credit loss rates as disclosed in the relevant notes.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

<u>Application of amendments to HKFRSs</u>

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. Revenue and Segment Information

The Group's operating activities are attributable to a single reporting segment focusing on manufacture and trading of stainless steel products. This reportable segment has been identified based on internal management reports prepared in accordance with accounting policies that conform to HKFRSs, that are regularly reviewed by the chief operating decision makers ("**CODM**"), who are the members of executive directors of the Company. The CODM regularly reviews revenue analysis by products, including mobile phone cases and parts, smart wearable cases and parts, watch bracelets, and fashion accessories, and by geographic locations of customers, including Taiwan, the PRC, Switzerland, Hong Kong, Liechtenstein and other European countries, and other countries. However, other than revenue analysis, no operating results and other discrete financial information is available. In addition, the CODM reviews the results of the Group as a whole to make decisions. Accordingly, no segment information is presented other than entity wide disclosures.

The revenue of the Group from manufacture and trading of stainless steel products is recognised when the goods are passed to the customers, which is the point of time when the customers have the ability to direct the use of the goods and obtain substantially all of the remaining benefits of the goods.

Revenue from major products

Revenue by products are as follows:

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Mobile phone cases and parts	**262,373**	238,093
Smart wearable cases and parts	**127,901**	14,280
Watch bracelets	**103,293**	177,209
Fashion accessories	**28,428**	48,929
	521,995	478,511

Geographical information

Revenue from external customers based on locations of customers attributed to the Group by geographical areas are as follows:

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Taiwan	**202,696**	188,912
PRC	**160,570**	53,234
Switzerland	**99,390**	159,081
Hong Kong	**30,960**	32,601
Liechtenstein and other European countries	**25,553**	44,355
Other countries	**2,826**	328
	521,995	478,511

4. Profit Before Taxation

	Six months ended 30.6.2020 HK$'000 (unaudited)	Six months ended 30.6.2019 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**25,847**	20,560
Depreciation of right-of-use assets	**1,045**	574
Loss on disposal of property, plant and equipment	**168**	2,051
Government grants (Note)	**(9,355)**	(313)
Net foreign exchange gain	**(126)**	(177)
Interests on:		
- bank borrowings	**2,347**	1,206
- lease liabilities	**101**	82
	2,448	1,288

Note: The unconditional government grants recognised during the current interim period are mainly related to employment stabilisation subsidy and research and development subsidy from PRC Government, and the Employment Support Scheme from Hong Kong Government (six months ended 30 June 2019: research and development subsidy from PRC Government). During the current interim period, the Group recognised government grants of HK$375,000 and HK6,298,000 from Employment Support Scheme in respect of COVID-19-related subsidy from Hong Kong Government and employment stabilisation subsidy from PRC Government, respectively.

5. Taxation

	Six months ended 30.6.2020 HK$'000 (unaudited)	Six months ended 30.6.2019 HK$'000 (unaudited)
The charge comprises:		
Hong Kong Profits Tax		
Current Period	**7,990**	6,643
PRC Enterprise Income Tax ("**EIT**")		
Current Period	**4,561**	3,517
Overprovision in prior years	**(2,989)**	(2,802)
	1,572	715
	9,562	7,358

(i) <u>Hong Kong Profits Tax</u>

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

(ii) <u>PRC EIT</u>

Under the Law of the PRC on EIT ("**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of group entities in the PRC is 25%. During the six months ended 30 June 2019, certain PRC subsidiaries of the Group were awarded the High and New Technology Enterprise ("**HNTE**") certificate and eligible to a tax rate of 15% for 3 years with effect from the financial year ended 31 December 2017. The recognition as a HNTE is subject to review on every three years by the relevant government bodies. In 2020, these certain PRC subsidiaries of the Group submitted applications to the related PRC Government authorities for the assessments and renewal approvals of their HNTE qualifications, but the applications have not been approved yet, they were therefore subject to 25% for the six months ended 30 June 2020.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year. The deduction of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual EIT filing. Accordingly, an overprovision for the PRC EIT in prior years amounting to HK$2,989,000 was recognised during the six months ended 30 June 2020 (six months ended 30 June 2019: HK$2,802,000).

6. Dividends

During the current interim period, a final dividend of HK3.0 cents per ordinary share in respect of the year ended 31 December 2019 (2019: HK8.5 cents per ordinary share in respect of the year ended 31 December 2018) was declared to the shareholders of the Company. The aggregate amount of the final dividend declared in the current interim period amounted to HK$15,000,000 (2019: HK$42,500,000).

The board of directors of the Company has resolved not to declare any interim dividend in respect of the current interim period (six months ended 30 June 2019: HK5.0 cents per ordinary share, totaling HK$25,000,000).

7. Earnings Per Share

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	**35,231**	53,334
Weighted average number of shares for the purpose of calculating basic earnings per share	**500,000,000**	500,000,000

No dilutive earnings per share is presented as there are no potential dilutive ordinary shares during both periods.

8. Trade and Other Receivables

	30.6.2020	31.12.2019
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade receivables arising from contracts with customers	**181,237**	264,090
Value added tax recoverable	**27,176**	35,749
Other receivables and deposits	**8,611**	10,068
	217,024	309,907

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. A longer credit period may be granted to large or long-established customers with good payment history.

The following is an aging analysis of trade receivables at the end of each reporting period presented based on the invoice date, which approximated the respective revenue recognition date:

	30.6.2020	31.12.2019
	HK$'000	HK$'000
	(unaudited)	(audited)
0 to 30 days	**85,611**	137,213
31 to 60 days	**65,684**	85,248
61 to 90 days	**26,343**	36,505
Over 90 days	**3,599**	5,124
	181,237	264,090

The management of the Group estimates the amount of lifetime expected credit losses of trade receivables based on individual assessment, after considering internal credit rating of trade debtors, aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information without undue cost or effort, including but not limited to the expected economic conditions in the PRC, and macroeconomic factors affecting the ability of the customers to settle the debtors. The Group has not recognised any impairment of trade receivables as at 30 June 2020 because there is no significant impact on the amount of credit losses for the increase in estimated loss rates.

9. Trade and Other Payables

	30.6.2020	31.12.2019
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade payables	**103,845**	173,141
Payroll and welfare payables	**29,135**	38,066
Payables for acquisition of property, plant and equipment	**9,222**	14,453
Commissions and other payables to intermediary agents	**5,521**	8,921
Others	**4,800**	7,013
	152,523	241,594

The following is an aging analysis of trade payables at the end of each reporting period based on the invoice date:

	30.6.2020 **HK$'000** **(unaudited)**	31.12.2019 HK$'000 (audited)
0 to 30 days	**37,868**	75,963
31 to 60 days	**24,403**	63,538
61 to 90 days	**31,561**	31,187
Over 90 days	**10,013**	2,453
	103,845	173,141

The credit period granted by suppliers ranges from 30 to 90 days.

10. Events after the Reporting Period

Government grants in respect of COVID-19-related subsidy

As disclosed in note 4, the Group applied for the first tranche of the Employment Support Scheme provided by the Hong Kong Government. In July 2020, the Group received the subsidy amounting to HK$486,000 as compensation to the Group's salary costs for June to August 2020, of which HK$162,000 was recognised as government grant receivable as at 30 June 2020 in relation to salary costs for June 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to establishing and maintaining high standard of corporate governance and believes that good corporate governance system provides a sustainable and solid foundation for the Company to manage business risks, enhance transparency, advance accountability and maximise shareholders' interests.

The Company has applied the principles of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited and complied with all the applicable code provisions of the CG Code throughout the six months ended 30 June 2020, save and except for the deviations from code provisions A.2.1 and A.6.7.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since 15 June 2020, Mr. Yiu Hon Ming has resigned as the Managing Director of the Company. Mr. Yiu will remain as the chairman of the Board ("**Chairman**"), an Executive Director, the chairman of the nomination committee of the Company and a member of the remuneration committee of the Company. Since 15 June 2020, Mr. Li Chin Keung, an executive Director, has been appointed as the Managing Director of the Company. In the past, Mr. Yiu Hon Ming was the Chairman and Managing Director of the Company. The Board considered that vesting the roles of both Chairman and Managing Director in Mr. Yiu Hon Ming was conducive to strong and consistent leadership, and effective and efficient planning and implementation of business decisions and strategies of the Group, and did not impair the balance of power and authority between the Board and the management of the Company as the Board meets regularly to discuss major matters affecting the Group's operations.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An Independent Non-executive Director was unable to attend the Company's annual general meeting held on 15 June 2020 due to his other business engagement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2020.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2020 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, by Messrs. Deloitte Touche Tohmatsu. The interim results of the Group for the six months ended 30 June 2020 have also been reviewed by the Audit Committee of the Company.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all our customers, suppliers and shareholders for their continuous support to the Group. I would also like to thank our team of dedicated staff for their invaluable services and contributions to the Group throughout the period.

By Order of the Board
Yiu Hon Ming
Chairman

Hong Kong • 24 August 2020

As at the date of this announcement, the Board comprises (a) six Executive Directors, namely, Mr. Yiu Hon Ming, Mr. Yiu Tat Sing, Mr. Li Chin Keung, Ms. Law Wai Ping, Mr. Chau Kam Wing Donald and Ms. Yiu Ho Ting; and (b) four Independent Non-executive Directors, namely, Mr. Au Wai Ming, Mr. Carson Wen, Professor Wong Lung Tak Patrick and Mr. Wu Ming Lam.